



### **Owner of Food Service Company Sentenced, Ordered to Pay \$1.2 Million for Fraud in Child Nutrition Programs—Delaware**

On October 19, 2017, in U.S. District Court, District of Delaware, the owner of a food service company that participated in the Food and Nutrition Service's (FNS) School Breakfast Program and National School Lunch Program was sentenced to 23 months in prison, and was ordered to pay \$1.2 million in restitution. The IRS, Criminal Investigations Division (CI) contacted OIG regarding allegations that the food service company was defrauding school feeding programs. The company operated as the primary food service company for several charter schools in Pennsylvania. The joint OIG/IRS-CI investigation revealed that the company inflated the number of meals being served in various schools, and failed to report income when filing taxes. The owner pled guilty to filing false tax returns, theft from the two nutrition programs, and structuring monetary transactions. An employee of the company pled guilty to charges of tax fraud and SNAP fraud on November 30, 2017. Sentencing is scheduled for February 2018.

### **Child Pornography Investigation Leads to Sentence of 310 Months in Prison for Former USDA Contract Employee—Kansas**

On October 25, 2017, in Johnson County District Court, Kansas, a former Office of Chief Information Officer contract employee was sentenced to serve 310 months in prison and lifetime post-release supervision. OIG received information from the USDA's Agriculture Security Operations Center that an employee may have been accessing child pornography sites on his Government issued computer. OIG determined that the subject, a USDA contract employee who worked at a USDA facility in Missouri, was accessing child pornography on his USDA-issued laptop. OIG immediately notified the contractor of the defendant's illegal activities and he was subsequently terminated. The investigation also determined that the defendant and his wife had served as foster parents for approximately 30 young girls. The defendant was charged with multiple counts of sexual crimes pertaining to children. When OIG and local law enforcement went to the defendant's residence to arrest the subject, they discovered he had left the U.S. and was working as a contractor for a firm in Iraq. OIG worked closely with the firm and Federal personnel to locate the defendant and ultimately return him to the U.S. to face prosecution. In June 2017, the defendant pled guilty to the exploitation of a child and no contest to the counts of rape. The Diplomatic Security Service and U.S. Marshals Service assisted in this investigation.

## **Settlement Agreement Reached with a Third State Agency Regarding Use of Third-Party SNAP Consultants—Alaska**

On September 15, 2017, the Alaska Department of Health and Social Services entered into a settlement agreement with the U.S. Department of Justice (DOJ), whereby the Alaska State agency agreed to pay \$2.4 million. The agreement resolved allegations that the State agency violated the False Claims Act in their administration of the Supplemental Nutrition Assistance Program (SNAP), resulting in FNS funding unjustified monetary performance bonuses. OIG jointly investigated the case with the U.S. Attorney's Office for the Eastern District of Washington and DOJ's Civil Division, Commercial Litigation Branch. The investigation arose from complaints submitted by quality control caseworkers from States that used a third party consultant in a manner that improperly reduced their error rates.

## **Company Sentenced and Ordered to Pay \$760,000 in Monetary Fines for Sale of Protected Plants—Utah**

On September 18, 2017, representatives of an essential oils company appeared in U.S. District Court, District of Utah, and pled guilty to misdemeanor charges regarding trafficking of rosewood oil and spikenard. The defendants' actions violated the Lacey Act and the Endangered Species Act. Rosewood and spikenard are protected by the Convention on International Trade in Endangered Species CITES of Wild Fauna and Flora, a multilateral treaty to prevent the extinction of species of wild animals and plants by regulating the international trade of at-risk species. The company harvested rosewood in Peru without authorization, obtained fraudulent Peruvian forestry permits, and re-exported spikenard oil without a CITES permit. The company voluntarily disclosed the rosewood oil violations and cooperated with Government investigators. Pursuant to the plea agreement, the company's sentence included: a \$500,000 fine, \$135,000 in restitution, and a community service payment of \$125,000 for the conservation of protected species of plants used in essential oils.

## **Two New Sentencings Obtained in Children's Feeding Program Investigation, with Restitution Orders Totaling \$4.3 Million—Arkansas**

Two additional sentencings and large restitution orders were obtained in the OIG investigation into fraud in the Summer Food Service Program and At-Risk Afterschool Programs in Arkansas. To date, 16 individuals have been convicted for their involvement in the schemes. On October 19, 2017, in U.S. District Court, Eastern District of Arkansas, the husband of an Arkansas Department of Human Services (ADHS) employee was sentenced to 175 months in prison and ordered to pay \$3.3 million in restitution, jointly and severally. The defendant signed up sponsors and encouraged inflated reimbursement claims in a conspiracy with his spouse. The spouse was an ADHS employee with responsibility for approving such applications.<sup>1</sup> Three weeks earlier, on September 26, 2017, in the same Federal court, a defendant was sentenced to 34 months incarceration and \$1 million in restitution (jointly and severally) for her role in the schemes. The defendant applied to be a sponsor in the two USDA child-feeding programs. She paid at least \$160,000 to ADHS employees whom were responsible for approving the

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<sup>1</sup> The spouse (the former State employee) was sentenced in July 2017 to 9 years of incarceration and \$9.6 Million in restitution.

defendant's application and reviewing her organization. This defendant operated child-feeding sites at a number of locations across Arkansas during an approximately 30-month period. She admitted inflating reimbursement claims submitted through her organization to ADHS, resulting in her organization receiving approximately \$1 million from ADHS. The defendant pled guilty to conspiracy to commit wire fraud.

### **Three Defendants Sentenced for SNAP and WIC Fraud at Store—Wisconsin**

An OIG investigation into SNAP trafficking at a Wisconsin store resulted in the sentencing of three defendants in September 2017. On September 27, 2017, in U.S. District Court, Eastern District of Wisconsin, one defendant—a previously disqualified store owner—was sentenced to 20 months in prison. He was ordered to pay \$1.24 million in restitution, jointly and severally with a second defendant, his father, the store owner. The father was sentenced earlier in the month to 15 months imprisonment and the aforementioned restitution. The third defendant sentenced was a nominee owner (person listed as the owner of the store in official documentation, but whom does not actually run the store or make any of its business decisions). He was sentenced to 1.5 years in prison. During the course of OIG's investigation, the store exchanged SNAP and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits for cash and/or ineligible items. All three defendants pled guilty to charges related to wire fraud charges and conspiracy to commit SNAP and WIC fraud.

### **Defendant and Son Sentenced Regarding Transport of Quarantined Citrus Trees—Michigan**

On October 17, 2017, in U.S. District Court, Eastern District of Michigan, a defendant was ordered to pay a \$5,000 fine. His son was sentenced to one day in prison, to be followed by one year of home confinement. OIG's investigation determined that the father and son transported quarantined citrus trees from Florida to Michigan with the intention of selling the trees online for profit. The two defendants arranged for the purchase of the citrus trees from a nursery stock supplier in Florida and traveled by vehicle to take delivery. Upon their return to Michigan, they repackaged the trees and sold them throughout the U.S. via online sales in violation of the quarantine. The two defendants pled guilty to conspiracy to transport flora out of a quarantine area. The son also pled guilty to obstruction.

### **Defendant and Spouse Sentenced for Summer Food Service Program Scheme—Illinois**

On October 6, 2017, in U.S. District Court, Central District of Illinois, a defendant and his spouse were sentenced for their roles in a scheme to submit false SFSP claims to the Illinois State Board of Education (ISBE). He was sentenced to 37 months in prison and was ordered to pay \$440,000 in restitution. The defendant's wife was sentenced to one year and one day in prison, and was ordered to pay \$40,000 in restitution, jointly and severally with her husband. The investigation disclosed that defendants submitted false claims to ISBE to obtain increased reimbursements from the SFSP. The husband, a pastor, pled guilty to wire fraud and money laundering. His wife pled guilty to theft of government funds. The two defendants admitted that

they embezzled more than \$100,000 from the SFSP, including more than \$60,000 in direct payments to themselves.<sup>2</sup>

### **Defendant Sentenced for Loan Application Fraud in Crop Insurance Program—Missouri**

On November 16, 2017, in the Western District of Missouri, a defendant was sentenced to 2 years of probation after pleading guilty to Loan Application Fraud. OIG initiated an investigation after receiving a referral from USDA's Risk Management Agency. The defendant was a crop insurance agent implicated in a scheme involving forged names on insurance applications, Power of Attorney Forms, and production worksheets. The fictitious crop insurance applications enabled another party to receive additional Government subsidy payments and crop insurance indemnity payments.

### **Defendant Sentenced and Ordered to Pay \$541,000 in Restitution for Conspiracy to Defraud the Government—Kansas**

On October 2, 2017, in U.S. District Court, District of Kansas, a defendant was sentenced to 18 months in prison and was ordered to pay \$541,000 in restitution. The sentence followed his guilty plea to conspiracy to defraud the Government and mail fraud. This defendant was the employee of an individual who owned a number of businesses. OIG opened an investigation to determine if the business owner falsified SNAP eligibility documents in order to receive benefits. The owner and her employees created a series of fictitious companies, then filed fraudulent tax returns for non-existent employees. The owner and employees also applied for unemployment benefits using stolen Social Security Numbers. The primary defendant in the case was previously sentenced to 75 months in prison and \$894,000 in restitution. One co-defendant remains to be sentenced.<sup>3</sup>

### **Store Manager Sentenced and Ordered to Pay \$349,000 in Restitution Regarding SNAP Fraud—New York**

On October 18, 2017, in U.S. District Court, Southern District of New York, a store manager was sentenced to 2 years in prison, was ordered to pay \$349,000 in restitution, and to forfeit \$437,000 (jointly and severally). OIG initiated an investigation after receiving information from the Food and Nutrition Service's (FNS) Retailer Investigations Branch. OIG determined that the store was exchanging SNAP benefits for cash. While employees of the store believed the defendant was the store's owner and manager, he had been permanently disqualified by FNS from participating in SNAP over a decade earlier due to past program violations. The defendant pled guilty to a criminal conspiracy to steal Government funds and commit food stamp fraud. The store's owner of record was sentenced in mid-2017 to time served, probation, and \$87,000 in restitution.

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<sup>2</sup> Previously in this case, three other defendants involved in the scheme received sentences ranging from 5 years of probation and \$40,000 in restitution, to five months in prison and \$49,900 in restitution.

<sup>3</sup> This case was worked jointly with Internal Revenue Service-Criminal Investigations; the OIGs of the Federal Departments of Labor, Housing and Urban Development, and Education; and the Kansas Department of Children and Family Services.